

Message Text

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ACTION EB-03

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 3453

INFO USLO PEKING

AMEMBASSY TOKYO

AMEMBASSY SINGAPORE

C O N F I D E N T I A L HONG KONG 0371

LIMDIS

E.O. 11652: GDS

TAGS: ENRG ETRD EALR CH US HK

SUBJ: MOBIL OIL COMPANY DISCUSSIONS WITH PRC

1. LOCAL MOBIL REPRESENTATIVE INFORMED CONGENOFFS JANUARY 10 THAT MOBIL IS PRESENTLY NEGOTIATING IN HONG KONG WITH THE CHINA RESOURCES CORPORATION (CRC) AND WILL PROBABLY CONCLUDE A DEAL FOR THE PURCHASE OF 150,000 TONS OF DIESEL FUEL (GAS OIL) AND PERHAPS 20,000 TONS OF KEROSENE IN 1975. (CRC SAID ADDITIONAL TONNAGE MAY BE AVAILABLE LATER.) MOBIL PLANS TO MARKET THE OIL AND KEROSENE IN HONG KONG, SUPPLANTING TO SOME EXTENT ITS PRESENT SUPPLY BROUGHT IN FROM THE PERSIAN GULF. NET SAVINGS TO MOBIL MAY AVERAGE ABOUT US\$5.00 A TON.

2. MOBIL BOUGHT 60,000 TONS OF PRC DIESEL OIL AND 10,000 TONS OF KEROSENE LAST YEAR. OF THIS AMOUNT, 20,000 TONS WERE PURCHASED IN NOVEMBER - DECEMBER WHEN MOBIL WAS APPROACHED DIRECTLY WITH AN OFFIER BY CRC. (TO MOBIL'S SURPRISE, CRC AGREED TO ABSORB ALL SHIPPING COSTS JUST TO MAKE THE SALE.) PREVIOUS CONTACT HAD BEEN WITH FEOSO (FAR EASTERN OIL COMPANY), THE HONG KONG DISTRIBUTOR FOR PRC OIL PRODUCTS. THE MOBIL REPRESENTA-
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TIVE SAID THAT CRC APPARENTLY INTENDS TO REPLACE FEOSO IN

ALL PRC EXPORT DEALS INVOLVING HONG KONG, LEAVING FEOSO TO HANDLE INTERNAL DISTRIBUTION AND MARKETING IN HONG KONG. IT IS NOT YET CLEAR, HOWEVER, HOW FAR CRC'S FIAT EXTENDS TO OTHER GEOGRAPHIC AREAS.

3. MOBIL HAS BEEN DISCUSSING THE PURCHASE OF CRODE WITH CRC, AND HAS REQUESTED SAMPLES OF CRUDE THROUGH CRC, BUT HAS BEEN TOLD THAT FINAL ARRANGMENTS FOR CRUDE SALES WOULD PROBABLY HAVE TO BE MADE IN PEKING. (WITHIN CRC, CHU'U CHIEN-MIN, (2575/0256/3046) MANAGER OF THE INDUSTRIAL PRODUCTS AND MINERALS DEPARTMENT , HAS BEEN RESPONSIBLE FOR CARRYING OUT DISCUSSIONS WITH MOBIL. HE SPEAKS ONLY MANDARIN).

4. CRC HAS SUPPLIED MOBIL WITH A JET FUEL SAMPLE, AND MOBIL IS STUDYING THE FEASIBILITY OF USING IT IN HONG KONG.

5. MOBIL IS ALSO STUDYING THE FEASIBILITY OF INTRODUCING OTHER PRC REFINED PRODUCTS INTO ITS WHOLE SYSTEM RATHER THAN LIMITING DISTRIBUTION TO HONG KONG. ONE PROPOSAL UNDER CONSIDERATION IS FOR PRC TANKERS TO TRANSPORT PRODUCTS TO SINGAPORE WHERE MOBIL WOULD MARKET THEM.

6. MOBIL REP BELIEVES THAT THE PRC ANTICIPATES A SURPLUS OF REFINED PRODUCTS IN 1975 AND IS AGGRESSIVELY SEEKING TO MARKET THEM IN HONG KONG AND PERHAPS ELSEWHERE BXGA IN MOBIL'S CASE--- UNDERCUTTING IT PERSIAN GU VF PRICES.

7. THE ABOVE INFORMATION IS OBVIOUSLY COMMERCIALY SENSITIVE AND SHOULD BE HELD ONLY WITH USG. CROSS

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